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UNITED STATES DISTRICT COURT
 NORTHERN DISTRICT OF CALIFORNIA
 SAN JOSE DIVISION

MOTOR WORKS LLC,

Plaintiff,

vs.

SAFER TECHNOLOGIES, INC., CERMA
 TECHNOLOGY, INC., GEORGE
 ACKERMAN, MARY STRANAHAN,
 NICHOLAS STREIT, TIM STREIT and
 EDWARD HALBACH,

Defendants.

Case No.: 08-CV-03608 JW

**MOVING PARTIES' REPLY BRIEF IN
 SUPPORT OF MOTION FOR LEAVE TO
 FILE COUNTERCLAIMS**

Date: March 8, 2010
 Time: 9:00 a.m.
 Courtroom: 8, 4th Floor
 Judge: Hon. James Ware

I. INTRODUCTION

There is no nice way to put it—plaintiff's principal John Murray is a con man and this lawsuit is a sham. Murray purchased the product at issue from its German manufacturer or one of the manufacturer's distributors, called it "STM-3" and then sold it to moving parties and others at an enormous markup. Moving parties were subjected to this scam until they realized what Murray was up to, stopped buying the product from him and started purchasing the product from a different distributor.

Murray has a track record for pulling these types of patent infringement scams—he did

1 the same thing with liquid ink, was sued by the real patent holder in South Carolina and forced to
 2 enter into a Consent Decree. In fact, Murray cannot verify discovery responses, appear for
 3 deposition or appear at trial without either telling the truth—and admitting he posted the articles
 4 on the “Ripoff Report” website and has been purchasing a product from a third party and then
 5 fraudulently claiming he invented it—or committing perjury. Murray will not provide verified
 6 discovery responses because to do so under penalty of perjury would constitute mail and wire
 7 fraud.

8 Plaintiff’s entire lawsuit is a sham. Nonetheless, as plaintiff continues to press on, moving
 9 parties have been compelled by economic necessity to request leave to litigate their counterclaims
 10 as compulsory counterclaims are barred if not asserted and efficiency requires all claims being
 11 litigated in the same action. Any alleged and unsupported prejudice to plaintiff is outweighed by
 12 the compulsory nature of the counterclaims as well as the recent defamatory postings, apparently
 13 authored by plaintiff’s principal, John Murray.

14 **II. ARGUMENT**

15 **A. Plaintiff’s Entire Lawsuit Is A Sham**

16 **1. The Charging Allegations Of Plaintiff’s Complaint Contend Moving** 17 **Parties Have “Reverse Engineered” The Subject Product**

18 John Murray is the owner/operator of plaintiff “Motor Works LLC”—Motor Works is
 19 simply an entity created by and for Murray. Murray’s operative charging allegations are set forth
 20 in numbered paragraphs 10 and 11 of his complaint, wherein he states he “has recently learned
 21 that [moving parties] are using confusing similar marks and marks owned by” Murray “for oil
 22 additives.” [Complaint at ¶ 10.] On information and belief, Murray “alleges that at least [moving
 23 parties] manufacture or have manufactured and sell additives *improperly reversed engineered* in
 24 violation of a distribution agreement between” Murray “and [moving party] CERMA
 25 TECHNOLOGY, INC.” [Complaint at ¶ 11, emphasis supplied.]

26 Finally, again on information and belief, Murray alleges “that at least [moving parties] are
 27 a direct competitor of” Murray “in this respect.” [Complaint at ¶ 11.] There are no other
 28 charging allegations against moving parties or any of the remaining defendants. Accordingly, on

1 the pending complaint, Motor Works/Murray must show that there was a product owned by
2 Motor Works/Murray which was “reversed engineered” by moving parties.

3 But, this is impossible. Murray does not own any product or the right to sell any product
4 that could have been “reverse engineered” by moving parties. He purchased the product at issue
5 from BYK-Chemie GmbH, a division of the ALTANA Group in Wesel, Germany or one of its
6 many American distributors. Moving parties acquired their only product, sold under their
7 registered trade name “CERMAX,” in exactly the same way.

8 **2. Plaintiff Is Perpetuating A Fraud On This Court By Claiming It is The**
9 **Manufacturer Of The Product When In Fact It Purchases The**
10 **Product From BYK-Chemie GmbH**

11 BYK-Chemie GmbH, a division of the ALTANA Group in Wesel, Germany, sells the
12 product BYK-333. A data sheet produced by the German company entitled “Data Sheet PS2”
13 describes the BYK-333 product. [Exhibit “A” to N. Streit Reply Declaration.] Murray purchases
14 the BYK-333 product. On February 12, 2008, Murray wrote to the BYK-333 distributor that “at
15 this point we need _*every drop of byk-333*_ you can get us !!!” [Exhibit “B” to N. Streit Reply
16 Declaration.] On February 8, 2009, Murray wrote to the BYK-333 distributor that “we would
17 like to arrange the availability of BYK-333 ... for the next 3 months to be 1- 55 gal drum per
18 month, after the 3 months this would increase to 2- 55 gal drums per month, within 1 year I could
19 see a usage of 5-10 55 gal drums per month.” [Exhibit “C” to N. Streit Reply Declaration.]

20 Under the name “STM-3”, Murray sold the BKY-333 he was buying from the German
21 company or one of its distributors directly to moving parties. On March 8, 2008 at 9:45 a.m.,
22 defendant Ed Halbach e-mailed Murray a purchase order for 5 gallons of “STM-3”. [Exhibit “D”
23 to N. Streit Reply Declaration.] That same day, at 2:37 p.m., John Murray wrote to a Jon
24 Saferstein that he had “shipped 5 gal of [BYK] 333” to moving parties. [Exhibit “E” to N. Streit
25 Reply Declaration.] Further, Dr. Alvah Bittner, moving parties’ expert, verifies that the two
26 products, Murray’s “STM-3” and BYK-Chemie GmbH’s “BYK-333,” are one and the same.
27 [See Declaration of Dr. Alvah Bittner.]

28 Murray’s lawsuit is a fraud. He is claiming that moving parties “reverse engineered” a
product that Murray in fact purchased directly from a German company or one of its many

1 distributors world-wide. Murray did not invent the subject product, is not the manufacturer of
 2 subject product and has no rights in the subject product entitling him to recovery from moving
 3 parties or anyone else.

4 **3. Plaintiff And Defendant Sell The Same Product Purchased From The**
 5 **Same Manufacturer**

6 As established by the foregoing communications and Murray's rejected patent
 7 applications, Murray apparently buys the relevant product from one of the German company's
 8 American distributors, and that same product is readily available for purchase to anyone from
 9 numerous sources. Cerma Technology, Inc. ("CTI") was originally purchasing the German
 10 company's chemical additive, BYK-333, from Murray based upon Murray's false representation
 11 that he had invented the chemical additive and that it could only be obtained from him.
 12 [Declaration of Nicholas Streit ("Streit Decl.") at ¶¶ 13-15 and attached exhibits; Declaration of
 13 James M. Hanavan ("Hanavan Decl.") at ¶ 5.]

14 When the truth was uncovered, CTI began purchasing BYK-333 from one of the German
 15 manufacturer's United States' wholesale distributors. As Mr. Streit explains, CTI has never had
 16 any oral or written agreement to purchase BYK-333 exclusively from Murray, and has always
 17 sold its product under the name it created, "CERMAX," a trade name registered and now owned
 18 by moving party Safer Technologies, Inc. Murray had nothing to do with the creation of the
 19 CERMAX name and distinctive mark, although he did fraudulently inflate the price of the
 20 German chemical additive sold under that name by moving parties and sell that chemical additive
 21 to them as his "invention." [Streit Decl. at ¶¶ 2-15 and attached exhibits; Hanavan Decl. at ¶ 6;
 22 Declaration of George Ackerson ("Ackerson Decl.") at ¶¶ 2-7.]

23 Murray has no patent, has no patent pending, and has no basis for claiming that he has any
 24 financial interest whatsoever in any product ever sold by moving parties. Despite the fact that
 25 moving parties and Murray are simply selling BYK-333 under different trade names to their
 26 respective customers, Murray has continued to claim that he invented BYK-333 and to interfere
 27 with moving parties' business operations. Murray has failed and refused to respond to any of
 28 defendants' discovery, and has effectively prevented moving parties from obtaining the

information needed to take his deposition or otherwise prepare their defense. [Streit Decl. at ¶¶ 2-15 and attached exhibits; Ackerson Decl. at ¶¶2-7; Hanavan Decl. at ¶ 7.]

B. Murray is a Con Man—He Pulled the Same Scheme with Liquid Ink

In March of 2005, John Murray was sued in South Carolina by plaintiff Sawgrass Technologies, Inc., the holder of a patent for printing certain liquid sublimation inks by means of an ink jet printer. The complaint alleged that Murray, his wife, entities created by Murray and another individual “caused to be manufactured and are selling and using a liquid sublimation ink” in violation of Sawgrass Technologies’ patent. Sawgrass Technologies’ further alleged that Murray and the other defendants were “teaching and encouraging others to use the Defendants’ liquid sublimation inks to practice the methods and processes of the Sawgrass patent.” [Complaint at ¶¶ 13, 15, Exhibit “F” to N. Streit Reply Declaration.]

John Murray and his wife settled the case by entering into a Consent Order. In that order, they agreed that if Sawgrass Technologies’ litigated the claims “defendants would potentially have substantial liability for damages stemming from their prior commercial involvement with liquid ink suitable for use in ink jet printers...” Further, presumably aware of Murray’s propensity to create various companies for illicit purposes, the Consent Order was drafted such that Murray agreed that the prohibition against making, using or selling a liquid ink suitable for use in ink jet printers applied to “any entity owned or controlled by them [defendants].” [Consent Order at ¶¶ 1, 3, Exhibit “G” to N. Streit Reply Declaration.]

C. Plaintiff’s Opposition Brief Raises Nothing But Red Herrings

1. Good Cause Exists for Granting Leave To File Counterclaims And Outweighs Any Claimed Prejudice To Plaintiff

Plaintiff Motor Works’ and Murray’s conduct is outrageous and continues to cause severe damage to moving parties. Moving parties’ counterclaims are a mixture of compulsory and permissive counterclaims. With respect to moving parties’ compulsory counterclaims, those claims are barred if not asserted here as any judgment precludes moving parties’ from maintaining a later action on the omitted claim. *Hydranautics v. FilmTec Corp.* (9th Cir. 1995) 70 F.3d 533, 536; *Publicis Communication v. True North Communications Inc.* (7th Cir. 1997)

1 132 F.3d 363, 365–366. Further, it is much more efficient for the parties and this Court to resolve
 2 all the present claims between the parties in a single lawsuit. Any claim of prejudice to Motor
 3 Works/Murray is far outweighed by the severity of the consequences in not asserting compulsory
 4 counterclaims as well as considerations of efficiency.

5
 6 **2. Moving Parties' Did Not Immediately Seek Leave to File**
Counterclaims As They Anticipated Plaintiff Would Dismiss This Case
Soon After Discovery Began, And In Any Event Prior To Trial As
 7 **Murray Cannot Prove His Claims Without Committing Perjury**

8 Motor Works/Murray puts great emphasis on the fact that in Case Management
 9 Conference Statements moving parties stated that they did not anticipate any amendments of the
 10 pleadings. This is true—moving parties did not anticipate seeking leave to file counterclaims. To
 11 the contrary, moving parties expected plaintiff to dismiss its case after moving parties served it
 12 with discovery as Murray cannot verify discovery under penalty of perjury without committing
 13 wire or mail fraud once that discovery is served.

14 To date in this case, Murray has not verified any discovery and has yet to appear
 15 for his deposition. He cannot appear at trial or for a deposition without committing perjury
 16 regarding the “reverse engineering” claim and authorship of the “Ripoff” reports. Accordingly,
 17 moving parties did not seek leave to file counterclaims at an earlier date as they did not anticipate
 18 this case would proceed much beyond service of discovery. Further, moving parties could not
 19 have anticipated Murray’s posting of various false and fraudulent entries on the “Ripoff Report”
 20 website, the most recent of which were posted on December 21, 2009 and January 21, 2010.

21 **3. Cerma Technology, Inc. Does Exist as a Separate Legal Entity**

22 Plaintiff argues that moving parties have represented that Cerma Technology, Inc.
 23 no longer exists as a separate legal entity. While this statement was made in a Case Management
 24 Conference Statement soon after moving parties’ current counsel substituted into the case,
 25 defendant Nicholas Streit has clarified the matter in his declaration. He states that Cerma
 26 Technology, Inc. is a wholly owned subsidiary of defendant Safer Technologies, Inc. Mr. Streit
 27 was a 50% owner of Cerma Technology, Inc., which was formed in September of 2006 and is
 28 now a wholly owned subsidiary of defendant Safer Technologies, Inc., where Mr. Streit is the

Director of Operations. [N. Streit Reply Declaration at ¶ 1.]

III. CONCLUSION

Plaintiff Motor Works/Murray's lawsuit is a sham and a fraud. Nonetheless, as Motor Works/Murray is proceeding, moving parties respectfully request that their motion be granted.

Dated: February 22, 2010

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/s/ James M. Hanavan

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